

Pending Board Approval

FRANCHISE TAX BOARD

MINUTES

APRIL 29, 2003

The Franchise Tax Board met in open session at 2:00 p.m. at the State Board of Equalization, 450 N Street, Hearing Room 121, Sacramento, California. Present were Hon. Steve Westly, Hon. Carole Migden, and Floyd Shimomura, representing Hon. Steve Peace.

Franchise Tax Board

Staff Participating:

Gerald H. Goldberg, John W. Davies, Donald L. Buxton, Lisa Crowe, Carol Ford, Carl Joseph, Brian Putler, Doug Powers, Norm Scott, Ralph Shoemaker, Suzanne Small, Phil Spilberg, Titus Toyama, Geoffrey Way, Debra Petersen, Patrick Kusiak, Ben Miller, and Claudette Romo.

Others Participating:

Charles Ajalat, from Ajalat, Polley & Ayoob; John R. Allen, from IBM; Scott R. Baugh, from Manatt, Phelps & Phillips; David Doerr, from California Taxpayers Association; Doug Farry, from Intuit; Lenny Goldberg, from California Tax Reform Association and Privacy Rights Clearinghouse; J. Pat Powers, from Baker & McKenzie; Gina Rodriguez, from Spidell Publishing, Inc.; and Timur Taluy, from FileYourTaxes.com.

Item 1. - Approval of Board Minutes

The minutes of the November 26, 2002, Franchise Tax Board meeting and of the Taxpayers' Bill of Rights Hearing were unanimously approved.

Item 2. – E-Filing

The Board received a report from staff and comments from members of the public regarding electronic filing of individual income tax returns and two new FTB-developed Internet applications: 2EZ Direct and NetFile. Chair Westly then asked staff to work with industry on these matters, to evaluate what other states are currently doing in this area, and to come back at the next Board meeting with recommendations for possible action.

Item 3. – Legislative Matters

The Board deferred taking positions on pending bills until later in the legislative session.

Item 4. – Regulation Matters

- a. Draft Proposed Regulations 20501 through 20504 (HRA) – Request for authorization to proceed with the formal regulatory process.

The Board voted unanimously to approve staff's request.

- b. Draft Proposed Regulations 18001-1 (Credit for Taxes Paid to Another State) – Request for authorization to proceed with the formal regulatory process.

The Board voted unanimously to approve staff's request.

- c. Draft Proposed Regulations 25130 (Property Valuation) and 25137(b) (Natural Resources-Property of Another) – Request for authorization to proceed with the formal regulatory process.

The Board voted unanimously to approve staff's request.

- d. Draft Proposed Regulation 17952 (Income From Intangible Personal Property) – Request for authorization to proceed.

The Board voted unanimously to approve staff's recommendation.

- e. Proposed Regulation 17000.3 (FTB Meetings) – Status Report.

The Board received a report on the status of this regulation.

- f. Defining "Gross Receipts" for standard apportionment formula purposes (possible addition to Regulation 25120) – Request for authorization to proceed to public forum.

The Board deferred action on this request.

- g. Including gains from treasury function operations in the sales factor of the apportionment formula (possible addition to Regulation 25137) – Request for authorization to proceed to public forum.

The Board deferred action on this request.

Item 5. – Evaluation and Oversight of Tax Expenditures

The Board (2-0, Mr. Shimomura abstaining) directed staff to prepare a preliminary report with respect to tax expenditures within 30-45 days and a more comprehensive report by the next Board meeting.

Item 6. – Child Support

The Board received an update regarding the automated statewide child support system.

Item 7. – Administrative Matters

- a. FY 2003/2004 Budget Update
 - 1. Summary of Governor's Budget for FTB
 - 2. Legislative Analyst's Issues and Recommendations

3. Spring Finance Letter – Request for Board Approval

The Board unanimously approved the Spring Finance Letter.

b. Contracts – Request for Board Approval

The Board unanimously approved all contracts presented.

c. Phase III Occupancy – Request for Board Approval for FTB to lease 100% of the State Office and Warehouse Facilities at Butterfield Way, and to authorize FTB's Executive Officer to execute occupancy documents.

The Board unanimously approved the staff requests.

d. FY 2004/2005 Capital Outlay BCP – Request for Board Approval

The Board unanimously deferred action on this proposal.

e. Facility Action Requests (Form 9) – Bakersfield District Office Lease Renewal and Chicago Field Office Lease Renewal – Request for Board Approval.

The Board unanimously approved these requests.

Item 8. – Executive Officer's Time

The Board Members expressed support for Mr. Goldberg's proposal to put together an FTB-sponsored tax shelter/tax avoidance seminar in conjunction with the University of California at Davis.

Item 9. – Board Members' Time

There was no discussion under this Agenda item.

Item 10. – Chair announcement Regarding Closed Session

Chair Westly announced the agenda for the Closed Session pursuant to Government Code section 11126.3.

The meeting was adjourned at 3:20 p.m.

Board Secretary

Date